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6 UNITED STATES DISTRICT COURT
7 WESTERN DISTRICT OF WASHINGTON
8 AT SEATTLE

9 KRAUSZ INDUSTRIES LTD.,

10 Plaintiff,

11 v.

12 ROMAC INDUSTRIES, INC., *et al.*,

13 Defendants.

No. C10-1204RSL

ORDER DENYING DEFENDANT'S
MOTION FOR SUMMARY
JUDGMENT REGARDING LACK
OF STANDING

14 This matter comes before the Court on defendant "Romac's Motion for Partial
15 Summary Judgment on '556 Claims Based on Lack of Standing" (Dkt. # 97), "Plaintiff's Motion
16 to Renew its Request for Oral Argument . . . and/or Motion to File Brief Sur-Reply" (Dkt.
17 # 125), and Romac's "Motion to Strike and/or Exclude Krausz Declaration Exhibit G" (Dkt.
18 # 137). Defendant argues that plaintiff Krausz Industries Ltd. lacks standing to bring a civil
19 action for infringement of the '556 patent because it did not hold sole legal title to the patent at
20 the time this action commenced. Plaintiff asserts that it obtained legal ownership of the '556
21 patent through a June 9, 2009, assignment and the operation of Israeli law. Defendant has
22 moved to strike the June 9, 2009, assignment.

23 Having reviewed the memoranda, declarations, and exhibits submitted by the
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parties,¹ the Court finds as follows:

BACKGROUND

The seal for coupling and connecting means disclosed in the ‘556 patent was invented by Eliezer Krausz and Avi Chiproot in 1997. At the time, Chiproot was employed by Krausz Metal Industries Ltd., an Israeli company. An application for a United States patent based on the invention was filed on September 17, 1998. The application identified only Eliezer Krausz as the inventor. Eliezer Krausz assigned his rights in the invention to Krausz Metal Industries Ltd. while the application was still pending. The patent was issued to the assignee on September 25, 2001.

In June 2006, the parent company of Krausz Metal Industries Ltd. formed Krausz Industrial Development Ltd. (hereinafter “Development”) to hold certain patents. Shortly thereafter, Krausz Metal Industries Ltd. changed its name to Krausz Industries Ltd. (hereinafter “Industries” or plaintiff). The ‘556 patent was assigned to Development.

In anticipation of this litigation, then-counsel for Industries prepared a “Patent Assignment” to transfer the ‘556 patent back to Industries. Danny Krausz, president of both Development and Industries, signed the assignment on June 9, 2009, and emailed it back to counsel that day. This action was filed by Industries on June 10, 2009.

At some point in early 2011, Industries realized that Chiproot was a co-inventor of the seal for coupling and connecting means disclosed in the ‘556 patent. While attempting to correct the error in inventorship in the ‘556 patent file, plaintiff’s counsel discovered that Development was still identified as the owner of the patent. Counsel alerted defense counsel of this fact, but assured him that an assignment had been made transferring the patent back to

¹ The Court finds that this matter can be decided on the papers. The parties’ requests for oral argument are therefore DENIED.

1 Industries before this suit was filed. Attempts to contact the former K&L Gates attorney who
2 had drafted the assignment were unsuccessful, however, and plaintiff's search for the document
3 was unproductive. In the absence of a written assignment, plaintiff proposed an amendment of
4 the complaint to add Development as a plaintiff and/or argued that Development had given
5 Industries an exclusive license to exploit the patented invention. In the meantime, Chiproot
6 assigned all of his rights and interests in the invention to Development.

7 Defendant Romac Industries, Inc., filed this motion for summary judgment on the
8 ground that Industries lacked standing to pursue an infringement claim because (a) it was not the
9 legal owner of the patent and did not have an exclusive license to exploit the patented invention
10 and (b) Chiproot retained his ownership interest at the time this litigation was initiated and had
11 not joined in the suit. Four days after the motion was filed, plaintiff notified defendant that it
12 had found the missing assignment, along with contemporaneous correspondence documenting
13 the preparation and execution of the assignment prior to the filing of this litigation. In an effort
14 to resolve defendant's concerns regarding Chiproot's patent rights, plaintiff cited Israeli Patents
15 Law § 132 and provided evidence supporting its application in this matter. The parties were
16 unable to resolve this dispute without judicial intervention.

17 **DISCUSSION**

18 **A. Validity of June 9, 2009, Assignment**

19 A patent, an application for a patent, or any interest therein "shall be assignable in
20 law by an instrument in writing." 35 U.S.C. § 261. The June 9, 2009, document is in writing
21 and purports to assign all of Development's interest in the '556 patent to Industries. The Court
22 has not found, and defendant has not identified, any other statutory requirements for a valid
23 assignment. Although a careful and prudent assignee would likely notarize the assignment and
24 timely record it in the Patent and Trademark Office in order to protect itself from adverse claims,
25 such notarization and recordation are not preconditions for a valid assignment.

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1 Defendant argues that the assignment was not “real” and should therefore be
2 disregarded. Defendant is not, however, arguing that plaintiff manufactured the assignment in
3 response to the summary judgment motion or otherwise contesting the timing or content of the
4 assignment. Rather, defendant argues that the document had no value or meaning because it was
5 prepared by litigation counsel and was not logged or reported in the corporate records of
6 Development or Industries. Neither of these facts destroys the legal import of the June 9, 2009,
7 assignment.

8 Finally, defendant argues that the June 9, 2009, assignment should be disregarded
9 because it was not produced in a timely manner and it contradicts the sworn deposition
10 testimony of Danny Krausz. Discovery in this matter is on-going, and defendant has not
11 identified any discovery request to which the June 9, 2009, document was responsive. Whether
12 plaintiff should have found and produced the document earlier than April 25, 2011, cannot be
13 ascertained from the current record. Nor is there any indication that plaintiff attempted to
14 deceive or ambush defendant. The record reflects that plaintiff, its counsel, or both had a vague
15 recollection that an assignment had been made prior to initiation of this lawsuit and conveyed
16 that information to defendant. Their subsequent inability to find the actual document threw that
17 recollection into doubt. When Danny Krausz was asked at deposition about the assignment, all
18 he could say was that he did not remember, but was sure that Industries had the right to exploit
19 the invention disclosed in the ‘556 invention. The subsequent production of the written
20 assignment does not contradict these statements, nor is this a situation in which a deponent
21 attempts to undo his damaging deposition testimony by providing a contradictory affidavit.
22 Danny Krausz expressed lack of knowledge, and the documentary evidence has provided
23 clarification. Exclusion in these circumstances would be inappropriate.

24 **B. Ownership Interest of Avi Chiproot**

25 “Absent the voluntary joinder of all co-owners of a patent, a co-owner acting alone

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1 will lack standing” to sue for patent infringement. Israel Vio-Eng’g Project v. Amgen, Inc., 475
2 F.3d 1256, 1264-65 (Fed. Cir. 2007). Defendant argues that Chiproot was an owner of the ‘556
3 patent at the time this lawsuit was filed and that his lack of participation justifies dismissal.
4 Plaintiff, however, cites Israeli Patents Law § 132 for the proposition that Chiproot’s interest in
5 the invention automatically passed to his employer, Krausz Metal Industries Ltd., in 1997.

6 Section 132(a) states:

7 An invention by an employee, arrived at in consequence of his service and during
8 the period of his service (hereafter: service invention) shall, in the absence of an
9 agreement to the contrary between him and his employer, become the employer’s
10 property, unless the employer relinquishes the invention within six months after
the day on which notification under section 131 was delivered to him.

11 Defendant, apparently conceding that Chiproot was an employee of Krausz Metal Industries at
12 the time he and Eliezer Krausz arrived at the invention, that the invention grew out of his
13 employment, and that there was no contrary agreement between parties, argues that a foreign
14 statute which deprives an inventor of ownership over his invention cannot or should not be
15 applied under U.S. law.

16 The general rule under U.S. patent law is that “rights to an invention belong to
17 the inventor.” Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., __
18 U.S. ___, 131 S. Ct. 2188, 2195 (2011). The inventor may, however, voluntarily divest himself of
19 some or all of those rights by assignment. 35 U.S.C. § 261. Assignments are often used to
20 transfer rights in an existing invention, but they may also be written in such a way that they
21 automatically transfer ownership of future inventions from an employee to an employer, just as
22 § 132 does. See DDB Techs. LLC v. MLB Advanced Media LP, 517 F.3d 1284, 1290 (Fed. Cir.
23 2008); Speedplay, Inc. v. Bebop, Inc., 211 F.3d 1245, 1253 (Fed. Cir. 2000). In addition,
24 Congress has seen fit to divest inventors of their rights in future inventions through specific,
25 non-negotiated, statutory provisions. See 42 U.S.C. § 2182; 42 U.S.C. § 5908(a); 51 U.S.C.

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1 § 20135(b)(1). Federal courts have been willing to apply both domestic and foreign statutes
2 transferring ownership of an invention from the inventor to his employer or funding agency. See
3 U.S. Dep't of Energy v. Szulinski, 673 F.2d 385 (C.C.P.A. 1982) (directing Patent and
4 Trademark Office to issue the patent on Szulinski's application to the Department of Energy
5 pursuant to 42 U.S.C. § 2182); Aerotel, Ltd. v. Radiant Telecom Inc., 569 F. Supp.2d 387
6 (S.D.N.Y. 2008) (applying Israeli Patents Law § 132(a) in order to determine ownership and
7 standing in patent litigation). Thus, pursuant to § 132 of the Israeli Patent Laws, Chiproot's
8 ownership interests in the invention automatically transferred to his employer, plaintiff's
9 predecessor, at the time he arrived at the invention.²

10 Contrary to defendant's argument, plaintiff need not show that Israel intended
11 § 132 to have extraterritorial effect. Plaintiff has provided evidence of the relevant foreign law,
12 its interpretation, and its application. Whether this Court should apply the law of the United
13 States or the law of some other jurisdiction to a particular issue raised during federal litigation is
14 determined by reference to federalism, comity, and choice of law principles, regardless of
15 Israel's intent. Nor is there any indication that federal courts have imposed a uniform patent
16 ownership scheme as urged by defendant. In fact, courts typically turn to state law to determine
17 who owns the patent rights and on what terms, despite the obvious lack of uniformity that will
18 result from such an analysis. Larson v. Correct Craft, Inc., 569 F.3d 1319, 1327 (Fed. Cir.
19 2009); Jim Arnold Corp. v. Hydrotech Sys., Inc., 109 F.3d 1567, 1572 (Fed. Cir. 1997).
20 Because states have the authority to govern the ownership of inventions and patents along with
21 other types of property, federal courts look to the law of the underlying jurisdiction when
22 determining ownership. The Court will not diverge from these existing precedents based on
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24 ² Chiproot's subsequent statements regarding what he believed to be his ownership interest in
25 the '556 patent and his 2011 attempt to transfer that interest to Development reflect a lack of
understanding regarding the applicable law, but do not change the ownership analysis.

1 nothing more than a vague constitutional argument asserted in defendant's reply memorandum.

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3 For all of the foregoing reasons, defendant's motion for summary judgment based
4 on lack of standing (Dkt. # 97) is DENIED. Plaintiff's motion for leave to file a sur-reply (Dkt.
5 # 125) is also DENIED. Because all of the arguments asserted in Romac's motion to exclude the
6 June 9, 2009, assignment (Dkt. # 137) were raised in its reply memorandum, its implicit claim
7 that "newly discovered evidence" justifies a separate, untimely, and unauthorized motion to
8 strike is not persuasive. That motion is therefore STRICKEN.

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10 Dated this 15th day of August, 2011.

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12 Robert S. Lasnik
13 United States District Judge
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